

Honeywell

First Quarter 2011

Earnings Release

April 21, 2011

Forward Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

- **1Q Strong Start To 2011**
 - \$8.9B Sales, 11% Organic Sales Growth
 - Strong Sales Conversion – 14.5% Segment Margin, Up 120 BPS
 - EPS Above Guidance – \$0.88, Up 40% YOY
- **Growth Reflects Continued Seed Planting**
 - Innovation: Aerospace Safety & Efficiency Next-Gen Avionics Leader
 - Emerging Region Expansion: China Smart Grid Project / Petrochemical Complex
 - Traction on Key Process Initiatives: HOS/VPD™/FT
- **Positive Momentum Continues – Raising FY Earnings Guidance**
 - Commercial AM Recovery Underway
 - Advanced Materials, ACS Products, And Turbo Continue Strong
 - Long Cycle Uptick In ACS Solutions, UOP And Commercial Aero
 - FY11 EPS: \$3.80-3.95, Up 27-32% Versus 2010*

* Proforma

Upside Performance, Raising FY Guidance

Financial Summary

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<i>(\$M)</i>	<u>1Q10</u>	<u>1Q11</u>	
Sales	\$7,776	\$8,909	<ul style="list-style-type: none">• 15% Increase<ul style="list-style-type: none">◆ 11% Organic
Segment Profit	\$1,036	\$1,290	<ul style="list-style-type: none">• 25% Increase<ul style="list-style-type: none">◆ <i>Margin Expansion in All SBGs</i>
<i>Margin %</i>	<i>13.3%</i>	<i>14.5%</i>	
Net Income	\$489	\$705	<ul style="list-style-type: none">• 44% Increase
<i>Attributable to Honeywell</i>			
EPS	\$0.63	\$0.88	<ul style="list-style-type: none">• 40% Increase
Free Cash Flow	\$673	\$433[*]	<ul style="list-style-type: none">• 61% Conversion Ex Pension<ul style="list-style-type: none">◆ <i>W/C Reflects Higher Sales</i>

* 1Q 2011 FCF Shown Excluding \$1B U.S. Pension Contribution

Strong Operating Earnings

(\$M)

	<u>1Q10</u>	<u>1Q11</u>	<u>V</u>
Sales	\$2,506	\$2,696	8%
Segment Profit	413	467	13%
Margin	16.5%	17.3%	+80 bps

Business Highlights

- + New Comm'l Wins and RMUs
- + Comm'l OE Shipments
- + Selectables / BFE Content
- + Comm'l Spares Strength
- + Cost Actions
- Defense Program Ramp Downs

Financial Highlights

- Sales Up 8%
 - Commercial OE Up 25%
 - ◆ ATR Shipments Strong
 - ◆ BGA Up +50%
 - Commercial Aftermarket Up 14%
 - ◆ Spares Up 28%, Mechanical and Avionics
 - ◆ R&O Up 6% - Recoupled to Utilization
 - Defense and Space Down (3%)
 - ◆ Lower T-55 Shipments
- Segment Profit Up 13%
 - ◆ Margins Up 80 bps
 - + Volume / Mix
 - + Productivity, Net Of Inflation
 - '10 Labor Actions

Commercial Recovery Underway

Automation And Control Solutions

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(\$M)

	<u>1Q10</u>	<u>1Q11</u>	<u>V</u>
Sales	\$3,124	\$3,656	17%
Segment Profit	386	459	19%
Margin	12.4%	12.6%	+20 bps

Business Highlights

- + Sperian Integration – Strong Start
- + Continued Short Cycle Improvement
- + Growth Across All Regions – Top Tier Perf.
- + China / India Driving Emerging Regions
- + New Products Offset Comm'l Softness
- Sales Conversion – 2H Investment Benefits

Financial Highlights

- Sales Up 17%
 - ◆ 7% Organic
- Products Up 21%
 - ◆ Industrial Continues Strong – Scanning & Mobility, S&C, Gas Detection
 - ◆ Energy Efficiency Driving ECC Momentum in Emerging Regions
 - ◆ Comm'l Retrofit Improving – NPI Impact
- Solutions Up 10%
 - ◆ Favorable Macros – Energy Demand & Effic
 - ◆ Converting Near Record Backlog
- Segment Profit Up 19%
 - ◆ Margins Up 20 bps
 - + Volume
 - + Productivity
 - Inflation
 - Growth Investments

Continued Growth In All Businesses

Transportation Systems

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(\$M)

	<u>1Q10</u>	<u>1Q11</u>	<u>V</u>
Sales	\$1,007	\$1,202	19%
Segment Profit	96	144	50%
Margin	9.6%	12.0%	+240 bps

Business Highlights

- + Turbo Share Gains On New Launches
- + Improved Diesel Penetration
- + Global OE Production Strong 1Q
- + Restructuring Benefits
- Japan Disruptions – Minor Impact 1Q/2Q

Financial Highlights

- **Sales Up 19%**
 - ◆ 19% Organic
- **Turbo Up 26%**
 - ◆ New Platform Launches, Turbo Penetration
 - ◆ Higher PV/CV Production Volumes
- **CPG Down (1%)**
 - ◆ Inclement Weather Impact
- **Segment Profit Up \$48M**
 - ◆ 240 bps Margin Expansion
 - + Volume
 - + Productivity
 - Material Inflation

Robust Turbo Demand

Specialty Materials

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(\$M)

	<u>1Q10</u>	<u>1Q11</u>	<u>V</u>
Sales	\$1,139	\$1,355	19%
Segment Profit	170	284	67%
Margin	14.9%	21.0%	+610 bps

Business Highlights

- + Global Market Demand
- + Commercial Excellence
- + Plant Performance
- + UOP Licensing
- Raw Materials

Financial Highlights

- Sales Up 19%
 - UOP Up 13%
 - ◆ Refining Catalysts Rebound
 - ◆ Strong Service Activity with Petrobras
 - Advanced Materials Up 22%
 - ◆ Resins & Chemicals – Asia Strong, Improved Global Markets
 - ◆ Fluorines – Robust Refrigerant Demand, Asia, Commercial Excellence
 - ◆ Specialty Products – New Product Introductions
- Segment Profit Up 67%
 - ◆ 610 bps Margin Expansion
 - + Price/Raws Spread
 - + Productivity

Strong Global Demand Continues

2Q11 Sales Preview

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<i>(\$B)</i>	<u>Sales</u>	<u>V%</u>	<u>Comments</u>
Aerospace	2.8 – 2.9	6 – 8%	<ul style="list-style-type: none">• Commercial AM Strength Continues• Defense Continues Modest Decline
ACS	3.8 – 3.9	16 – 19%	<ul style="list-style-type: none">• Con't. Organic Growth Across Portfolio• +8-9% Net M&A Impact
Transportation	1.1 – 1.2	12 – 16%	<ul style="list-style-type: none">• Improved Diesel Pen., New Launches• Monitoring Global Auto Production
Specialty	1.4 – 1.5	14 – 18%	<ul style="list-style-type: none">• Robust Advanced Materials Demand• Increased UOP Project Sales

2Q11 Sales \$9.1-9.4B, Up 12-16%
EPS \$0.94-\$0.98, Up 29-34%

2011 Financial Guidance Summary

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Consolidated (\$B)	2011 Financial Outlook	Growth 2011E vs. 2010
Revenues ⁽¹⁾	\$ 36.0 - 36.6	8% - 10%
Segment Profit ⁽¹⁾	5.3 - 5.5	15% - 19%
Segment Margin	14.7% - 15.0%	90 bps - 120 bps
Net Income	3.0 - 3.1	29% - 34%
EPS ⁽²⁾	\$ 3.80 - \$ 3.95	27% - 32%
Free Cash Flow ⁽³⁾	\$ 3.5 - 3.7	~Flat

1) 2011 revenues and segment profit guidance excludes the impact of discontinued operations accounting treatment for CPG divestiture

2) Proforma, % compared to 2010 proforma excluding any mark-to-market pension adjustments

3) FCF excluding cash contributions to U.S. pensions in 2011

Low End

- Slower Global Growth
- Broader Japan Implications
- Material Inflation, F/X

High End

- + Robust Commercial Aero AM Recovery
- + Strengthening Global Markets
- + Better Sales Conversion

1Q Performance Reflected In FY Outlook

- **1Q Results Reflects Momentum, Benefits from Seed Planting**
 - Continued Uptick In TS, SM, ACS Short-Cycle and Comm'l Aero
 - Strong Operational Leverage and Earnings Growth
- **Order Rates Remain Positive Across Portfolio**
 - Commercial Aero Recovery Uptick
 - Industrial and Emerging Markets Continue Strong
 - Turbo Up, But At Lesser Rate
 - Long-Cycle Accelerates Throughout Year
- **Momentum Reflected in Raised 2011 Outlook**
 - Outlook Reflects Balanced View of Global Macro Environment
 - Investing In Future: Growth and Productivity

Honeywell Executing Well, Delivering Results

Appendix
Reconciliation of non-GAAP Measures
to GAAP Measures

Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

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<i>(\$M)</i>	1Q10	1Q11
Sales	\$7,776	\$8,909
Cost of Products and Services Sold	(5,858)	(6,610)
Selling, General and Administrative Expenses	(1,111)	(1,254)
Operating Income	<u>\$807</u>	<u>\$1,045</u>
Stock Based Compensation ⁽¹⁾	50	49
Repositioning and Other ^(1, 2)	146	142
Pension Expense-ongoing ⁽¹⁾	51	36
Pension Expense-mark to market ⁽¹⁾	0	0
OPEB (Income) Expense ⁽¹⁾	(18)	18
Segment Profit	<u>\$1,036</u>	<u>\$1,290</u>
Operating Income	\$807	\$1,045
÷ Sales	<u>\$7,776</u>	<u>\$8,909</u>
Operating Income Margin %	<u>10.4%</u>	<u>11.7%</u>
Segment Profit	\$1,036	\$1,290
÷ Sales	<u>\$7,776</u>	<u>\$8,909</u>
Segment Profit Margin %	<u>13.3%</u>	<u>14.5%</u>

⁽¹⁾ Included in cost of products and services sold and selling, general and administrative expenses

⁽²⁾ Includes repositioning, asbestos, environmental expenses and equity income

Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

Honeywell

(\$B)	<u>2010</u>	<u>2011E</u>
Sales	\$33.4	\$36.0 - 36.6
Cost of Products and Services Sold	(25.6)	(26.5) - (27.2)
Selling, General and Administrative Expenses	(4.7)	(5.0) - (5.1)
Operating Income	<u>\$3.1</u>	<u>\$4.5 - 4.7</u>
Stock Based Compensation ⁽¹⁾	0.2	~0.2
Repositioning and Other ^(1, 2)	0.6	~0.4
Pension Expense-ongoing ⁽¹⁾	0.2	~0.1
Pension Expense-mark to market ⁽¹⁾	0.5	TBD
OPEB (Income) Expense ⁽¹⁾	0.0	~0.1
Segment Profit	<u>\$4.6</u>	<u>\$5.3 - 5.5</u>
Operating Income	\$3.1	\$4.5 - 4.7
÷ Sales	<u>\$33.4</u>	<u>\$36.0 - 36.6</u>
Operating Income Margin %	<u>9.3%</u>	<u>12.5 - 12.8%</u>
Segment Profit	\$4.6	\$5.3 - 5.5
÷ Sales	<u>\$33.4</u>	<u>\$36.0 - 36.6</u>
Segment Profit Margin %	<u>13.8%</u>	<u>14.7 - 15.0%</u>

⁽¹⁾ Included in cost of products and services sold and selling, general and administrative expenses

⁽²⁾ Includes repositioning, asbestos, environmental expenses and equity income

Reconciliation of Free Cash Flow to Cash Provided by Operating Activities, Excluding U.S. Pension Contributions and Calculation of Cash Flow Conversion

Honeywell

<i>(\$M)</i>	<u>1Q10</u>	<u>1Q11</u>
Cash Provided by Operating Activities	\$743	(\$443)
Expenditures for Property, Plant and Equipment	(70)	(124)
Free Cash Flow	<u>\$673</u>	<u>(\$567)</u>
U.S. Pension Contributions	0	1,000
Free Cash Flow, excluding U.S. Pension Contributions	<u><u>\$673</u></u>	<u><u>\$433</u></u>
Cash Provided by Operating Activities	\$743	(\$443)
÷ Net Income Attributable to Honeywell	<u>489</u>	<u>705</u>
Operating Cash Flow Conversion %	<u><u>152%</u></u>	<u><u>(63%)</u></u>
Free Cash Flow, excluding U.S. Pension Contributions	\$673	\$433
÷ Net Income Attributable to Honeywell	<u>489</u>	<u>705</u>
Free Cash Flow Conversion %, excluding U.S. Pension Contribution	<u><u>138%</u></u>	<u><u>61%</u></u>

Reconciliation of Free Cash Flow to Cash Provided by Operating Activities, Excluding U.S. Pension Contributions and Calculation of Cash Flow Conversion, Excluding Mark-to-Market Pension Expense

Honeywell

(\$B)	<u>2011E</u>
Cash Provided by Operating Activities	\$3.3 - 3.5
Expenditures for Property, Plant and Equipment	~(0.8)
Free Cash Flow	<u>\$2.5 - 2.7</u>
U.S. Pension Contributions	~1.0
Free Cash Flow, excluding U.S. Pension Contributions	<u>\$3.5 - 3.7</u>
Free Cash Flow, excluding U.S. Pension Contributions	\$3.5 - 3.7
÷ Net Income Attributable to Honeywell	
excluding mark-to-market pension adjustment	<u>3.0 - 3.1</u>
Free Cash Flow Conversion % (Proforma)	<u>115 - 120%</u>

Reconciliation of Net Income, Attributable to Honeywell and EPS to Net Income And EPS, Excluding Mark-to-Market Pension Expense

Honeywell

<i>(\$M)</i>	<u>2010</u>
Net Income Attributable to Honeywell	\$2,022
Mark-to-Market pension adjustment, net of tax	319
Net Income Attributable to Honeywell, excluding mark-to-market pension adjustment	<u>\$2,341</u>
Cash Provided by Operating Activities	\$4,203
Expenditures for Property, Plant and Equipment	<u>(651)</u>
Free Cash Flow	\$3,552
Free Cash Flow	\$3,552
÷ Net Income Attributable to Honeywell excluding mark-to-market pension adjustment	<u>2,341</u>
Free Cash Flow Conversion % (Proforma)	152%
	<u>2010 ⁽¹⁾</u>
EPS	\$2.59
Mark-To-Market Pension Adjustment	<u>0.41</u>
EPS, Excluding Mark-to-Market Pension Adjustment	<u><u>\$3.00</u></u>

(1) EPS utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-Market uses a blended tax rate of 32.3%.